

CALIFORNIA EMPLOYER

Third Quarter 2000

Update on the SDI rate change

As you know, the State Disability Insurance (SDI) withholding rate for wages paid from January 1 through March 31, 2000, is 0.5% (.005). The SDI withholding rate for wages paid from April 1 through December 31, 2000, is 0.7% (.007). The SDI taxable wage limit for calendar year 2000 is \$46,327 per employee.

We have revised and renumbered the *Annual Reconciliation Statement* (from DE 7 to DE 7X) and the *Annual Payroll Return for Employer of Household Workers* (from DE 3HW to DE 3HWX) for calendar year 2000.



To accommodate the two rates, the forms will have two SDI wage and rate lines for you to complete. Instructions for completing the SDI portion of the DE 7X and DE 3HWX will be included when these forms are mailed to employers. Both forms are available from our Web site at www.edd.ca.gov/taxform.htm, and from your local Employment Tax Customer Service Office.

We will continue to provide you with updated information as it becomes available. The latest SDI rate information is also available on our Internet site at www.edd.ca.gov/taxsdi.htm.

If you have any questions, please contact your local Employment Tax Customer Service Office.

W-2 Information

As with previous years, employers will report SDI withholding on one line of the *Wage and Tax Statement* (Form W-2). Employees with two or more employers who have earned over \$46,327 may take a credit on their state income tax return (Form 540A, 540, etc.) for the excess SDI withholding. Employers who used the incorrect SDI rate and withheld too much SDI from their employees' wages need to refund the overwithheld amount directly to their employees.

Independent contractor reporting starts January 1, 2001

We are receiving many calls about the new independent contractor reporting requirements that take effect January 1, 2001. (Also see "New law calls for independent contractor reporting in 2001" article in the previous issue of this newsletter.)



The law (Senate Bill 542, Burton), which passed last year, requires that all businesses and government entities report to EDD (within a specific time period) independent contractors for which they must file a federal Form 1099-MISC. The law is in addition to the current new hire reporting requirement for employers. Both programs are intended to help locate parents who are delinquent in their child support payments.

The EDD has developed a fact sheet that lists the new requirements and a Frequently Asked Questions (FAQ)

sheet to help clarify the reporting process. The new reporting form is called the *Report of Independent Contractors* (DE 542).

These documents are available on our Web site at www.edd.ca.gov/txicr.htm; from your local Employment Tax Customer Service Office; or by contacting our Account Services Group at (916) 657-0529. The fact sheet, FAQ sheet, and a DE 542 form will be mailed to all employers in November 2000.

We encourage you to use magnetic media to report both your independent contractor and new employee hire information. Please contact our Magnetic Media Unit at (916) 651-6945 for additional information.

If you have questions regarding the independent contractor reporting requirements, please e-mail us at taxcomm@edd.ca.gov, or call us at (916) 657-0529.

Fax number for reporting new employee information

The correct number to fax your New Employee Registry *Report of New Employees* (DE 34) forms to EDD is **(916) 255-0951**. If you have questions, please call our Account Services Group at (916) 657-0529.

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E-mail subscription services are now available —

The EDD is now offering a new e-mail subscription service for payroll tax information.

Subscribers will receive notices on:

- The on-line availability of new tax rates, California Personal Income Tax tables, meals and lodging values, etc.
- Special notices, such as a state of emergency or extended hours in our Employment Tax Customer Service Offices.
- New and revised forms and publications.
- Phone problems in our call centers or customer service offices.

We also offer a subscription service for information on the Job Training Partnership Act, Welfare-to-Work, and Workforce Investment Act.



To subscribe to one or both of our subscription services, please go to

EDD's Web site at www.edd.ca.gov and click on the "Subscribe" button.

If you have any questions, please contact the Tax Branch Internet Coordinator at (916) 654-8154.

A new and improved Telefile information guide —

The *Tax Telefile Information Guide* (DE 747) has been revised and expanded. The new map-style guide offers detailed instructions for electronically filing tax reports and payments, and provides a "Tele-Quick" chart that shows the Telefile system at a glance.

We are mailing the new guide in Telefile invitation packages to employers with small numbers of employees, including employers of household workers.

Employers already registered to use Telefile were mailed the new guide in May 2000.

To request a Telefile invitation package, the new *Tax Telefile Information Guide*, or for more information, please call Telefile Customer Service at 1-800-796-3524, or e-mail us at ecom@edd.ca.gov. The new DE 747 guide may also be downloaded at www.edd.ca.gov/taxform.htm.

Upcoming Small Business Fairs —

The EDD is partnering with the Internal Revenue Service, Franchise Tax Board, State Board of Equalization, and local agencies at Small Business Fairs around California. Workshops and tax information are offered



throughout the day at these events.

There is no cost to participate, but reservations are recommended for the workshops. Upcoming fairs include:

- **Orange County**
California State University, Fullerton
September 22, 8:30 a.m. – 3:30 p.m.
Call: (949) 461-5732
E-mail: octaxday@boe.ca.gov
- **Central Valley (Modesto)**
Modesto Centre Plaza
October 4, 8:30 a.m. – 3:30 p.m.
Call: (209) 469-7484
E-mail: cvtaxday@boe.ca.gov

■ Sacramento

Calif. State University, Sacramento
October 21, 8:30 a.m. – 3:30 p.m.
Call: (916) 227-1882
E-mail: sactxday@boe.ca.gov

■ Van Nuys

Air Tel Plaza Hotel & Confer. Center
November 14, 8:30 a.m. – 3:30 p.m.
Call: (818) 901-5690
E-mail: vntaxday@boe.ca.gov

Know an exemplary older worker or employer?

Nominations are being accepted for the Governor's Older Worker and Exemplary Employer Awards, which recognize California's outstanding workers, age 40 and over, and their employers. For nomination forms, please call (916) 654-6502, or access www.edd.ca.gov/swaoind.htm on the Internet.

Deposit requirements for 2001

The California Personal Income Tax (PIT) deposit threshold will remain at \$400 for calendar year 2001. Employers who meet federal deposit requirements and also meet the state PIT threshold of \$400 must remit both State Disability Insurance and PIT withholdings to EDD on the *Payroll Tax Deposit* (DE 88) coupon. State deposits are generally due at the same time as the federal deposits. The PIT threshold for employers who deposit quarterly is \$350.

For more information, please refer to the *California Employer's Guide* (DE 44); visit our Web site at www.edd.ca.gov/taxpay.htm; or contact your local Employment Tax Customer Service Office (ETCSO). Check the DE 44 or the State Government section of your phone directory under "Employment Development Department" to find your nearest ETCSO.

No-cost payroll tax seminars available

We offer no-cost seminars to help you understand and comply with California payroll tax laws. Seminars can be customized to meet your organization's specific needs.

For more information on payroll tax seminars, please visit our Web site at www.edd.ca.gov/txsem.htm, or contact us at:

- Central and North Coast
(408) 277-9400
- Central Valley, North
(916) 464-3502
- Central Valley, South
(661) 335-7329
- San Luis Obispo, Santa Barbara, and Ventura Counties
(805) 677-2785
- Orange County and Inland Empire
(949) 768-1521
- Los Angeles County
(562) 903-4067
- Imperial and San Diego Counties
(619) 516-1944

Posting requirements for California employers

State and federal regulations require employers to display various posters and notices to inform their employees of certain laws and regulations pertaining to employment and working

conditions. Unless otherwise noted below, all employers are required to display the poster/notices listed below.



However, because specific requirements vary, this list may not include all posters/notices that you are required to display.

Title of Poster/Notice	Reference	Contact
Notice to Employees: Unemployment Insur. & Disability Insur. Benefits (In English, Spanish, Chinese, or Vietnamese)	DE 1857A (Unemployment Insurance only - DE 1857D)	EDD at www.edd.ca.gov/uipub.htm , or call your local ETC SO
Pay Day Notice	CA Labor Code, Section 207	CA Dept. of Industrial Relations (DIR) at www.dir.ca.gov/dosh/dosh%5fpublications/poster.html , or call (415) 703-5070
Harassment or Discrimination in Employment is Prohibited by Law (In English or Spanish)	Poster: DFEH-162 (English) DFEH-162s (Spanish) Govt. Code §12950(a)	CA Dept. of Fair Employment and Housing (DFEH) Commission at 1-800-884-1684 (or 916-227-0551 from outside CA)
Safety and Health Protection on the Job (In English or Spanish)	General Industry Safety Orders Title 8, §340	DIR at www.dir.ca.gov/databases/edtrain/test/public3.html , or call (415) 703-5070
Notice of Workers' Compensation Carrier	Labor Code §3550	Your Workers' Compensation insurance carrier
Emergency Phone Numbers	Notice: S-500 Title 8 Calif. Code of Regulations (CCR) 1512 (e)	DIR at www.dir.ca.gov/dosh/dosh%5fpublications/poster.html , or call (415) 703-5070
Industrial Welfare Commission (IWC) Minimum Wage Order (State)	Order MW-98	DIR at www.dir.ca.gov/DLSE/dlse.html , or call (415) 703-5070
IWC Wage Order (IWC orders are separately numbered according to industry or occupation group)	Labor Code §1183	DIR at www.dir.ca.gov/IWC/iwc.html , or call (415) 703-5070
Notice to Employees: Time Off to Vote (Must be posted for 10 days preceding a statewide election)	Elections Code §14001	CA Secretary of State's Office, Election Division at www.ss.ca.gov/elections/elections_tov.htm , or call (916) 657-2166
Pregnancy Disability Leave (Required if you have 5 to 49 employees)	DFEH-100-20, Govt. Code §12945 (In English or Spanish)	CA DFEH Commission at 1-800-884-1684 (or 916-227-0551 from outside CA)
Family Care/Medical/Leave/Pregnancy Disability (Employers & public agencies with 50 or more employees. In English or Spanish)	DFEH-100-21 Govt. Code §12945.2	CA DFEH Commission at 1-800-884-1684 (or 916-227-0551 from outside CA)
Equal Employment Opportunity (EEO) Act (EEO is the Law) (In English or Spanish. Includes ADA poster)	P/E-1	EEO Commission at www.dol.gov/dol/osbp/public/sbrefa/poster/main.htm
Fair Labor Standards Act Minimum Wage Poster (Federal)	WH 1088 (In English or Spanish)	U.S. Dept. of Labor (DOL) at www.dol.gov/dol/osbp/public/sbrefa/poster/main.htm , or check your phone directory under "United States, Labor Dept., Wage & Hour"
Family and Medical Leave Act (Federal) (Employers with 50 or more employees)	WH 1420 (In English or Spanish)	U.S. DOL (see above)
Employee Polygraph Protection Act	WH 1462 (In English or Spanish)	U.S. DOL (see above)
Notice to Employees* (That their employer is required to send <i>Withholding Allowance Certification Form</i> , W-4, to IRS if it meets certain conditions)	DE 35	EDD at www.edd.ca.gov/taxform.htm , or call your local ETC SO
For Your Benefit* (For laid off/terminated employees. In English, Spanish, Chinese, or Vietnamese)	DE 2320 – UI Claim Information	EDD at www.edd.ca.gov/uipub.htm , or call your local ETC SO
State Disability Insurance Provisions* (For new employees and employees who are ill, injured, or hospitalized due to non-work related causes)	DE 2515	EDD at www.edd.ca.gov/dipub.htm , or call your local ETC SO

* Employers are not required to post.

New NAFTA regulations begin January 2001

Doing business with Mexico continues to require an understanding of the North American Free Trade Agreement (NAFTA) rules and regulations. This is particularly important with the following upcoming changes to NAFTA that take effect January 1, 2001:

■ Components used in the assembly of products are considered "in-bond," which means they have entered a port, free trade zone, or in-bond warehouse and will be exported after undergoing a process change. Since these materials have not legally entered the country, no duties or tariffs are due as long as they remain in-bond and are treated technically as if they were never in Mexico. Effective 2001, with the seven-year transition period (1994-2001), component parts will be able to enter the U.S. in-bond for transportation and exportation, without any duty being assessed.

■ In the year 2001, for finished goods exported to the U.S. or Canada, the Maquiladora ("in-bond" manufacturing facility in Mexico) will face two significant changes:

1. Mexico will capture duty on the foreign parts brought in under the Maquiladora program, as well as the U.S. components. For example, on \$6 of foreign component value plus \$2 of U.S. value, the U.S. will assess duty on an amount up to \$10 of the finished good. The Maquiladora, or exporting company, therefore could pay duty on a total of \$18 of value, though the finished good has a value of only \$10.

2. Under NAFTA, some tax-duty rebate to the exporting company will be in effect, and Mexico will refund a portion of the rebate.

■ If the finished good satisfies the NAFTA rules of origin, it will be considered a "NAFTA originating good," and the U.S. will charge only the NAFTA-established duty rate applicable to the finished product. In many cases, this duty rate will be zero, either immediately or within a period of a few years.

For more information on these changes, please call the Los Angeles Economic Development Corporation at 1-888-4LAEDC-1 (1-888-452-3321).

Are you an EDI user?

Do you currently use Electronic Data Interchange (EDI) in your business operations? If you do, we have an electronic filing option that can expand the use of your EDI infrastructure.

We now accept the *Quarterly Wage and Withholding Report* (DE 6) in an

electronic format. The *Electronic Data Interchange – Trading Partner Implementation Guide* (DE 813), which provides instructions for filing by EDI, may be downloaded from our Internet site at www.edd.ca.gov/taxform.htm. For additional information, please contact our EDI staff at (916) 255-1649.

Secretary of State offers Business Filing Workshop

The Secretary of State's (SOS) third annual Business Filing Workshop for individuals in the legal, accounting, and document filing service industries will be held on September 27, 2000, in Sacramento.



The workshop will be held from 9 a.m. to 4:30 p.m. at the SOS Building, 1500 11th Street, Sacramento.

This event is presented in partnership with the Internal Revenue Service,

Franchise Tax Board, State Board of Equalization, and EDD.

Topics will include:

- Uniform Commercial Code
- Corporations and Partnerships
- Offer in Compromise and Settlement of Tax Liabilities

If you are interested in attending this workshop, please visit the SOS Web site at www.ss.ca.gov/business/business.htm for complete details. If you have additional questions, please call the SOS at (916) 653-7114.

EMPLOYMENT TAX INFORMATION

- General Information, Address Changes, or Requests for Employment Tax Forms (25 copies or less) Call the nearest Employment Tax Customer Service Office
- Forms Requests (25+ copies) (916) 322-2835 Fax: (916) 928-5910
- Register for an EDD Employer Account # (916) 654-7041 Fax: (916) 654-9211
- Electronic Funds Transfer (916) 654-9130 Fax: (916) 654-7441
- Magnetic Media Reporting:
 - Quarterly Returns (916) 654-6845
 - New Employee Registry/ Indep. Contractor (916) 651-6945
- Alternate Forms Coordinator (916) 255-0649 Fax: (916) 255-1578
- Telefile 1-800-796-3524
- Electronic Data Interchange (916) 255-1649
- Tax Rates & Benefit Charge Information (916) 653-7795
- New Employee Registry (916) 657-0529 Fax: (916) 255-0951
- Offers in Compromise (916) 464-2726 Fax: (916) 464-2077
- Underground Economy Operations (916) 464-1075 Fax: (916) 464-1020
- Taxpayer Rights Advocate (916) 654-8957 Fax: (916) 654-6969
- EDD's Web site: www.edd.ca.gov

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This newsletter is published quarterly by the State Employment Development Department of the California Health and Human Services Agency, and is distributed with tax forms to all employers who are subject to the provisions of the California Unemployment Insurance Code.

The EDD is a recipient of federal and state funds, is an equal opportunity employer/program, and is in compliance with Section 504 of the Rehabilitation Act and the Americans with Disabilities Act. Special requests for alternate formats need to be made by calling (916) 654-7079.

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Produced by the EDD Office of Marketing and Constituent Services, MIC 84
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Third Quarter 2000

Vol. 53, No. 3